

City of Detroit

CITY COUNCIL

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TO: Celeste McDermott, Deputy Director - DCCC
Cable Commission

FROM: Irvin Corley, Jr., Fiscal Analysis Director

24.

DATE: May 5, 2006

RE: 2006-2007 Budget Analysis

Attached is our budget analysis regarding your department's budget for the upcoming 2006-2007 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:cyb

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Roger Short, Interim Chief Financial Officer
Pam Scales, Budget Director
Renee Short, Budget Department
Vera Magee, Budget Department
Kandia Milton, Mayor's Office

Cable Commission

FY 2006-2007 Budget Analysis by the Fiscal Analysis Division

Summary

The mission of the Detroit Cable Communications Commission (DCCC) is to ensure the delivery of efficient and cost effective cable television and telecommunications systems to the residential and business communities of the City of Detroit.

The DCCC has two functions: administration and regulation; operation of the government and educational access channels.

There are two appropriations for the DCCC in the Non-Departmental Budget and a third appropriation where the franchise fee is recorded.

Personnel and Turnover Savings

<u>Appropriation/Program</u>	<u>Budgeted Positions FY 2005-06</u>	<u>Filled Positions 3/31/2006</u>	<u>Mayor's Budget Positions FY 2006-07</u>	<u>Over/(Under) Actual to 05/065 Budget</u>	<u>Mayor's Recommended Turnover</u>
Cable Communications Commission (35)					
350330 Cable Commission	9	8	8	(1)	\$ -
00972 Cable Comm. Commission	9	8	8	(1)	\$ -
350340 Government Access	2	2	2	0	\$ -
00973 Government Access	2	2	2	0	\$ -
Total	<u>11</u>	<u>10</u>	<u>10</u>	<u>(1)</u>	<u>\$ -</u>
TOTAL	<u>21</u>	<u>21</u>	<u>17</u>	<u>0</u>	<u>\$ -</u>

The recommended budget has one Secretary – DCCC position removed. This is a vacant position as of March 2006.

Currently the Cable Commission has eight contractual positions filled in the Government Access appropriation.

Professional and Contractual Services:

Communication Department (15)

<u>Budgeted Professional and Contractual Services by Activity</u>	<u>FY 2004-05 Budget</u>	<u>FY 2005-06 Recommended</u>	<u>Increase (Decrease)</u>
Cable Commission	\$ 140,000	\$ 140,000	\$ -
Government/Education Access	\$ 463,500	\$ 303,464	\$ (160,036)
Total	<u>\$ 603,500</u>	<u>\$ 443,464</u>	<u>\$ (160,036)</u>

Issues and Questions

1. Provide an update on the current status of the negotiation of the cable franchise agreement with Comcast include the timetable to complete the agreement. Include the original expiration date of the previous agreement and each requested extension and period of time the extension covered.
2. Give City Council your analysis of Senate Bill 1157, and House Bill 5895. As submitted these bills are identical and “provide for state authority to provide cable and video services; to provide for competition in providing cable and video services; and to prescribe the powers and duties of certain state and local agencies and officials.”
3. Explain the difference in revenue estimates between page 35-17, \$6.9 million projected for 2006-07, and the actual budget document with \$4.6 million (includes revenues in appropriations 00972 Cable Communications Commission and 05080 Cable Franchise Fee).
4. Also on page 35-17 who were the five new cable and telecommunications permits/franchise agreements with in 2004-05, 2005-06 and targeted for 2006-07?
5. Revenues in Appropriation 05080, Cable Franchise Fee are decreasing by \$270,000 from the 2004-05 Budget level a 6.5% reduction. This is even below the 2004-05 collections of \$4.2 million. Explain the decrease in projected revenue collections.
6. What is the market penetration in Detroit for cable and internet services? Is the market penetration increasing, decreasing or remaining steady? How does this compare to surrounding communities and national averages?
7. The amount budgeted for Personal Services Contracts paid on payroll in the Government Access appropriation is decreasing by \$160,036 and represents a 34.5% reduction. Please explain the operational results of this reduction. This reduction was made in your budget request.
8. Explain, particularly for the new council members, the delay in naming a permanent director and the use of what appears to be an “on loan” executive (Mr. H. Hughey fills the Deputy Director – DCCC position on the Personnel/Payroll System Reports) from the Mayor’s Office. What effect has the lack of a director had on the completion of the franchise agreement? Below is the wording in the City Code on the selection of an executive director and deputy director.

Sec. 9.5-2-3. Executive and deputy director.

The cable communications commission shall designate, subject to the approval of council, an executive director and a deputy director who shall serve at the pleasure of the commission, and to whom the commission may delegate any of its administrative powers and authorizations. The commission may also appoint staff as necessary.

(Ord. No. 440-H, § 1(61A-2-1(b)), 4-29-81; Ord. No. 495-H, § 1, 3-17-82)

9. In the last year, has the Cable Commission been contacted by any competitors of Comcast seeking access to the market? What companies are potential candidates to enter the market and increase competition? What do you see as the advantages and disadvantages of increased competition in the Detroit marketplace for cable services?

IC:JGP